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BUREAU OF AGRICULTURAL ECONOMICS, U. S. D. A.

WASHINGTON, D. C.



AUGUST 1948

Under the impact of prospects for the greatest production in history, prices of farm crops continued down in the last month.

The average for all crops was off 7 percent from mid-July to mid-August, bringing the level 17 percent below January and 7 percent below August 1947.

Biggest difference from a year ago is an 18 percent drop in the average for truck crops. Feed grains and hay are off 13 percent, cotton and food grains 8. Tobacco and oil-bearing crops are averaging a little above a year earlier, while fruit prices are up 3 percent.

With dairy products and poultry and eggs showing slight seasonal gains and meat animals declining a little, prices for livestock and products in August averaged the same as in July; are now up 5 percent from January, 17 percent from August 1947.

Strength in livestock and products was not enough to offset decline in crops and the index of prices received by farmers dropped to 293, down 3 percent from July. In the next 2 months, advances in livestock products probably will about offset declines in crops, particularly corn.

The index of prices paid by farmers including interest, and taxes has been at 251 percent of the 1910-14 average for 3 months. With prices received by farmers down some in August, the parity ratio slipped off 3 points to 117.

Wholesale prices again set a new record in early August as metals, metal products and building materials moved up. Urban consumer prices set another record in July; probably rose further in August.

Business activity is continuing high. Industrial production has been markedly stable for several months. More civilians were at work in July than ever before. Personal incomes for the first half of this year were a record.

Two of the major forces contributing to high economic activity -- the booms in residential building and business spending for plant and equipment -- show no signs of weakening this year.

Spending for new housing is expected to total over 7 billion dollars compared with 5.3 billions last year and 2.1 billions in 1939. Work on about 950,000 nonfarm dwelling units is expected to be started this year, well above the 1925 record of 937,000 and far more than in any other year.

Business expenditures on plant and equipment are expected to total a record 18.6 billion with 16.2 billions in 1947 and 5.2 billions in 1939.

FARM REAL ESTATE Farm real estate values continued upward during the 4 months ending July 1; now average 2 percent above 1920 boom peak even though they are below 1920 in 15 States. The only large group of States where values are below 1920 is centered in the Corn Belt and Northern Plains States. This is one of the areas where the World War I boom pushed values highest; where they dropped most during the 1920's; increased most during last year.

FARM REAL ESTATE TAXES For the fourth straight year, farm real estate taxes per acre climbed sharply in 1947. The index now stands at 254, about 15 percent above 1946 and 43 percent above 1944 when the rise began. For the first time in several years, real estate taxes went up more rapidly than land values.

Farmers also are digging deeper into their pocketbooks to pay other taxes. Federal income taxes alone now cost farmers more than property taxes.

FATS AND OILS Because of increased supplies, fats and oils prices are likely to average lower in 1948-49 than in 1947-48. Strong domestic and export demand, however, will keep them well above wartime ceilings.

Bumper oilseed crops are expected this year. Soybeans and peanuts may set a new record. Flaxseed crop is estimated to be 12 percent above 1947. Cottonseed production will be up considerably.

**FEED GRAINS** Farmers are likely to feed their livestock heavily in the coming year. Prospects for large feed supplies have been accompanied by declining feed prices. By mid-August, livestock-feed price ratios were more favorable to livestock and poultry producers than during most of the last year.

**WHEAT** Prices of new crop wheat generally were still below the loan rates in late August, but had recovered from the low points reached earlier. Exports, currently at a record rate, are not expected to reach last year's total.

Citizens in European countries in the ERP will have a bigger breadgrain ration this year. Early estimates of their imports plus their production indicate they may have about as much wheat per person as prewar. However, these figures do not allow for rebuilding low reserves. Nor do they take into account the need for food grains as substitutes for other foods still in short supply.

**DAIRY PRODUCTS** More favorable relations between dairy products and feed prices will tend to slow the decline in the number of milk cows during the rest of 1948; may halt it next year. After declining four years, herds now average the smallest since 1938.

**POULTRY AND EGGS** Supplies of chickens and eggs during the rest of 1948 will be slightly smaller than in the same months of last year. With record consumer incomes and smaller red meat supplies keeping demand strong, prices are likely to average higher than in 1947.

**COTTON AND WOOL** The new cotton marketing season began August 1 with lower prices and a larger carry-over than a year earlier and prospects for the largest crop since 1937.

In the season just ended, domestic mills consumed 678,000 bales less cotton than the 10,025,000 in 1946-47. Exports were about 2 million bales, the lowest for any peacetime year since 1871-72. Carryover August 1 was about half a million bales over the 1947 stocks of 2.5 million bales.

Mid-August prices of apparel wool in both domestic and foreign markets were about the same as in mid-July. Strong demand and a short supply of the better qualities brought higher average prices to farmers.

**FRUITS AND VEGETABLES** With production smaller, prices growers will receive for deciduous fruits this fall are likely to average higher than last year and about twice prewar. Demand from processors seems about as strong as last year.

Average prices for fresh vegetables are expected to reach seasonal low in September; may be slightly below September 1947. Prices are expected to rise again in October but considerably less than in the fall of 1947.

With a potato crop of about 400 million bushels now expected, potato prices probably will stay near support levels the rest of the marketing season. Through August 12, more than 16 million bushels had been purchased for support. Large additional purchases are likely.

**TOBACCO** Auctions for flue-cured tobacco, types 12 and 13, are in full swing. Prices for type 13 in August averaged 53 cents a pound, 16 percent above the same period last season. By late August, type 12 sales had been running for 2 weeks, with prices averaging 49 cents a pound, 14 percent higher than early season prices last year. With a 24 percent smaller crop than last season, demand for flue-cured is expected to stay strong.

**LIVESTOCK AND MEAT** With fewer cattle on hand and a heavier movement to feedlots, cattle slaughter during the rest of 1948 will be below same months of last year. Extensive short feeding operations are preventing an even greater decline. Total pork supplies this winter may be about the same as last. Heavier slaughter weights will offset reduction in number of pigs and any withholding of breeding stock. With this year's lamb crop the smallest since 1924, slaughter will stay below 1947 levels.

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